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FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

RAD REFERRAL: 15L-25
DATE ACTIVATED: September 17, 2015

EXPIRATION OF SOL: July 15, 2019
ELECTION CYCLE: 2014

SOURCE: Internally Generated

RESPONDENTS: Hall for Congress Committee (Ralph Hall – Rockwall, Texas) and J. Blakeley Hall in his official capacity as treasurer

RELEVANT STATUTE AND REGULATIONS: 52 U.S.C. § 30104(b)(8)
11 C.F.R. § 104.3(d)
11 C.F.R. § 104.11(b)

INTERNAL REPORTS CHECKED: Disclosure Reports

FEDERAL AGENCIES CHECKED: None

I. INTRODUCTION

The Reports Analysis Division ("RAD") referred Hall for Congress Committee and J. Blakeley Hall in his official capacity as treasurer, (the "Committee") to the Office of General Counsel ("OGC") for enforcement action for an apparent violation of the Federal Election Campaign Act of 1971, as amended, (the "Act") because the Committee failed to disclose additional debts totaling \$330,000 incurred during the 2014 July Quarterly reporting period. For the reasons discussed below, we recommend that the Commission open a MUR, find reason to believe that the Committee violated 52 U.S.C. § 30104(b)(8), and authorize pre-probable cause conciliation with the Committee.

1 **II. FACTUAL AND LEGAL ANALYSIS**

2 **A. Background**

3 On July 15, 2014, the Committee filed its original 2014 July Quarterly Report disclosing
4 no debts on Line 10 (Debts and Obligations Owed by the Committee) of the Summary Page.

5 RR 15L-25 at 1 (Hall for Congress Committee (Ralph Hall – Rockwall, Texas)).¹ On January
6 27, 2015, the Committee filed an amended 2014 July Quarterly Report disclosing, on Line 10 of
7 the Summary Page, \$150,000 in estimated debts owed to Booker Industries, Inc. for advertising,
8 printing, and mailing costs. *Id.* The amended report also included a memo text regarding the
9 debts, which reads: "This amount is just an estimate. The total amount of the debt owed is still
10 being determined." *Id.* at 1-2.

11 Following the amended report, RAD sent a Request for Additional Information ("RFAI")
12 to the Committee on March 3, 2015, requesting clarification regarding the increase in debts
13 disclosed. RR 15L-25 at 2. After seeking guidance from RAD on March 18, 2015, the
14 Committee filed FEC Form 99 (Miscellaneous Report) that day, which stated, in part:

15 The information disclosed on our amendment was not included on
16 the original report due to on [sic] oversight by our committee. We
17 are aware that this information is required for full public disclosure
18 and are reviewing our reporting procedures to insure [sic] that our
19 Committee's reports include all activity required by the Federal
20 Election Commission.

21 *Id.*

22 On April 13, 2015, a RAD analyst called J. Blakeley Hall, the Committee's treasurer, to
23 inform him that the Committee's increased activity shown on the Amended 2014 July Quarterly
24 Report would be referred for further Commission action and that the Committee could provide
25 additional information for the public record regarding this issue. *Id.* The next day, the treasurer

¹ The Committee's report disclosed a candidate loan of \$148,790 on Line 10, but it did not disclose any debts.

1 returned the analyst's call and stated that the increase was an aggregate of debts incurred over the
2 election cycle. The analyst advised the treasurer that the Committee should have reported debts
3 exceeding \$500 on the report covering the dates on which the debts were incurred. The treasurer
4 said that he would get the relevant information and update the report. *Id.* The same day, the
5 Committee filed a Second Amended 2014 July Quarterly Report disclosing the total amount of
6 debts owed to Booker Industries, Inc. as \$330,000, on Line 10 of the Summary Page, all of
7 which were incurred during that quarterly reporting period. *Id.* The report also included a memo
8 text, which stated, "This amount is just an estimate. The total amount of debt owed is still being
9 determined." *Id.* at 3.

10 On May 14, 2015, the RAD analyst spoke with the treasurer to clarify whether the
11 increase in activity reflected amounts incurred over the course of the entire election cycle, as he
12 stated during the April 14 conversation. *Id.* The treasurer clarified that the Committee incurred
13 all of the \$330,000 in debt between May 8, 2014, and June 30, 2014, which fell within the 2014
14 July Quarterly reporting period. *Id.*

15 Based on these amendments, RAD referred the Committee to OGC for failing to disclose
16 debts and obligations on the original 2014 July Quarterly Report because the amount of the
17 increased debt met the threshold for referral to OGC under RAD's 2013-2014 *Review and*
18 *Referral Procedures for Unauthorized Committees* ("Standard 7"). See RR 15L-25 at 1. Upon
19 receipt of the Referral, OGC notified the Committee and provided it with an opportunity to
20 respond. See Notification Letter to J. Blakeley Hall, Treasurer, Hall for Congress Committee
21 (Ralph Hall-Rockwall, Texas) (June 23, 2005); see also Agency Procedure for Notice to
22 Respondents in Non-Complaint Generated Matters, 74 Fed. Reg. 38,617 (Aug. 4, 2009).

1 In its Response, the Committee asserts that the failure to report the \$330,000 in debt to
2 Booker Industries on its original 2014 July Quarterly Report was partly inadvertent and partly
3 because it disputed the amount the vendor claimed it owed. Resp. at 1-2 (Aug. 5, 2015).
4 According to the Response, Rep. Hall was very "hands on" and all bills went through him. Resp.
5 at 2. However, the Committee claims that Rep. Hall could not remember the billings because of
6 his age (92 years) and the injuries he suffered in a serious car accident in October 2014. *Id.* at 1-
7 2.

8 By way of further explanation, the treasurer stated that he does not recall having Booker
9 Industries' invoice when he filed the Committee's 2014 July Quarterly Report, but if he did, the
10 failure to disclose the debt timely was "purely accidental, unintentional, and due wholly to
11 human error." Resp. at 1. Sometime after he filed the report, the treasurer learned that Booker
12 Industries was claiming that the Committee owed \$330,000, and that Rep. Hall disputed the
13 amount. *Id.* at 2. Thus, in January 2015, the treasurer filed the First Amended 2014 July
14 Quarterly Report disclosing a debt of \$150,000, which was equal to all of the campaign funds
15 remaining in the Committee's account. *Id.* The treasurer asserts that he now knows that he
16 reported the debt incorrectly, but his intent was to provide the Commission with an accounting of
17 all campaign funds. *Id.* Subsequently, the Committee disclosed the debt as an estimated
18 \$330,000 debt in its Second Amended 2014 July Quarterly Report, and stated that it disputed the
19 amount. Resp. at 2. The Committee has since disclosed that the total amount of Booker
20 Industries' invoices equals \$297,040.43, of which \$47,865 is still disputed.² *Id.* To date, the

² On October 13, 2015, the Committee amended its 2014 July Quarterly Report for a third time to disclose the amount of the debt owed to Booker Industries as \$297,040.43. The report contains a memo text stating: "The [a]mended amount reflects an accurate total of the invoices billed that Booker Industries claims to be owed by the Hall for Congress Committee. Of that total \$47,865.00 is still subject to discussion & dispute with the vendor." See Third Amended 2014 July Quarterly Report (Oct. 13, 2015).

1 Committee has paid \$135,000 of the outstanding balance. *See* Resp. at 2; *see also* Third
2 Amended 2014 July Quarterly Report (filed Oct. 13, 2015).

3 In sum, the Respondent argues that the omission was unintentional and it has since
4 reported the debt accurately. Further, the Committee states that it is paying the debt, and
5 Congressman Hall will not run for re-election. Resp. at 2.

6 **B. Legal Analysis**

7 Committee treasurers are required to file reports of receipts and disbursements in
8 accordance with the provisions of the Act. 52 U.S.C. § 30104(a)(1), 11 C.F.R. § 104.1(a). The
9 reports must include the amount and nature of outstanding debts and obligations owed by or to
10 the political committee. 52 U.S.C. § 30104(b)(8); 11 C.F.R. § 104.3(d). The Commission's
11 regulations specify, in pertinent part, that a debt or obligation exceeding \$500 must be disclosed
12 in the report that covers the date on which the debt or obligation is incurred. *See* 11 C.F.R.
13 § 104.11(b). If the exact amount of the debt is not known, then the report must state that the
14 amount reported is an estimate. *Id.* Once the exact amount is determined, the committee must
15 either amend the report containing the estimate, or indicate the correct amount on the report for
16 the reporting period in which such amount is determined. *Id.*

17 Given that the Committee describes the failure to timely disclose the debt as an
18 "oversight," *see* Amended 2014 July Quarterly Report (Jan. 27, 2015), it appears that the
19 Committee had knowledge of the existence of debts owed to Booker Industries at the time the
20 original report was due.³ The Committee admits in its Response that it omitted the debt from the
21 original report, and when it disclosed the debt six months later, the \$150,000 estimate had little

³ To its credit, the Committee does not blame Booker Industries for billing the Committee untimely. Resp. at 1 ("It would benefit the Committee to say that the billing was not submitted until after the reporting period, which is possible, but I [the treasurer] cannot so aver because I do not know whether or not that would be correct.").

1 or no connection to the amount actually owed — that amount was simply all the money the
2 Committee still had in its account. Resp. at 2. Thus, the Committee failed to disclose \$330,000
3 as an estimated debt in its original 2014 July Quarterly Report.

4 Accordingly, we recommend that the Commission open a MUR and find reason to
5 believe that the Committee violated 52 U.S.C. § 30104(b)(8).

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4 **IV. RECOMMENDATIONS**

5 1. Open a MUR.

6

7 2. Find reason to believe that Hall for Congress Committee and J. Blakeley Hall in
8 his official capacity as treasurer, violated 52 U.S.C. § 30104(b)(8).

9

10 3. Approve the attached Factual and Legal Analysis.

11

12 4. Enter into conciliation with Hall for Congress Committee and J. Blakeley Hall in
13 his official capacity as treasurer, prior to a finding of probable cause to believe.

14

15 5. Approve the attached Conciliation Agreement.

6. Approve the appropriate letter.

Daniel A. Petalas
Acting General Counsel

11.16.15
Date

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